

# WYOMING TAXPAYERS ASSOCIATION

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## Tax Reform 2000 ~ the Sequel

Nationwide, most states are struggling to find ways to balance their budgets and some are using these lean times as an opportunity to reform their tax systems. States are working to broaden their tax base and lower rates – seems like good principals of tax policy. Even though revenue projections may not be as bleak as we once thought, Wyoming also should use this small downturn as an opportunity to evaluate our overall tax system.

This summer, the number three priority for the Legislature's Joint Interim Revenue Committee is to review the report generated by the Tax Reform 2000 Committee and seek updated information related to the report for 2010. Is the report still relevant to today's Wyoming economy ten years later? What has been accomplished since the report was published? What more can we do?

As a recap, I think it's important to remind folks of the Tax Reform 2000 Committee's mission – "to recommend standards and options for developing a fair, viable and economically competitive state and local tax structure capable of generating sufficient revenues to meet expected needs of the 21<sup>st</sup> century." It sure seems like a mouthful, but the report's criteria were very straightforward and very much in line with WTA's Cornerstones of Taxation ~ Justification, Equity, Balance, Stability and Transparency. According to the report, Wyoming's revenue system should:

- Be accountable to taxpayers.
- Rely on a balanced variety of revenue sources that will provide income to the state in a reliable manner.
- Treat individuals and businesses equitably, imposing similar tax burdens on people and businesses in similar circumstances and minimizing regressivity.
- Be framed in such a way to enhance economic development efforts.
- Be composed of elements that support the ability of local governments to raise revenue to meet their needs.
- Be easy to understand and administer, and therefore easy for the taxpayer to comply with as well as for the administrator to apply the system.
- Be responsive to interstate and international economic competition and to changes in business.
- Minimize its involvement in spending and land use decisions.

The report offered many suggestions to help make Wyoming's tax structure more balanced and stable and less reliant on mineral revenues, and in my opinion, should be required reading for every member of the revenue committee, every serving legislator and every candidate for office. So what happened since this report was published ten years ago?

A number of changes to Wyoming's tax structure have been implemented. Here's just a few: Increasing the contribution from minerals to the Permanent Wyoming Mineral Trust Fund, as well as increasing the return on investment for this fund, broadening property tax relief options for income-limited individuals and imposing limitations on the number of mills taxing districts may levy, implementing a uniform property assessment system for all 23 counties, allowing another optional penny of sales and use tax for local governments, and removing the sales tax on food. Some of these measures would pass the test of good tax policy, and some would fail.

Yet, there is still work to do with regard to examining sales and use tax exclusions and exemptions, funding for local governments, and reviewing special districts. Although policy makers have been able to execute some of the report's recommendations, I don't think I will get any arguments when I say that Wyoming's tax system isn't any more stable today than it was ten years ago and that is because we are unique in Wyoming – revenues from minerals go up and down regardless of tax policy – it is a system that is based on price and production.

It is because of Wyoming's unique revenue situation that I would urge everyone to look at Tax Reform 2000 not as a one-time report, but as a road map for Wyoming's fiscal future. The criteria really set the framework for what any tax system should look like, both in times of plenty and in times of revenue shortfalls.

WTA has often said over the years that “when people don’t pay, they don’t pay attention,” reflecting the fear that our low personal tax burden has contributed to apathy about government spending. Even if state revenue does come back up again, long-term tax reform must remain on the front burner. We don’t have to re-release the original production, just build on the good story line, and cast new characters.

~~~Erin Taylor is the Executive Director of the Wyoming Taxpayers Association. The Wyoming Taxpayers Association has been Wyoming’s leading tax policy and research organization since 1937 and is made up of members from all industry sectors, business, agriculture, and individual taxpayers. ~~~